

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re: W.R. GRACE & CO., <i>et al.</i>, Debtors.	§ § § § § §	Chapter 11 Jointly Administered Case No. 01-01139 (JKF)
---	--	--

**FEE AUDITOR'S FINAL REPORT REGARDING THE THIRTY-EIGHTH
QUARTERLY FEE APPLICATION OF PRICEWATERHOUSECOOPERS LLP
FOR THE PERIOD OF JULY 1, 2010 THROUGH SEPTEMBER 30, 2010**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Thirty-Eighth Quarterly Fee Application of PricewaterhouseCoopers LLP for the Period of July 1, 2010 through September 30, 2010 (the "Application").

BACKGROUND

1. PricewaterhouseCoopers LLP ("PwC") was retained as auditors and tax consultants to the Debtors and Debtors-in-Possession. In the Application, PwC seeks approval of fees totaling \$713,576.04 and expenses totaling \$12,626.30 for its services from July 1, 2010 through September 30, 2010 (the "Application Period").

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time and expense entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2010, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C.

§ 330, Issued January 30, 1996 (the "U.S. Trustee Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served an initial report on PwC based on our review, and we received a response from PwC, portions of which response are quoted herein.

DISCUSSION

3. We note for informational purposes that PwC Partner Robert Edyt billed 3.00 hours at the hourly rate of \$1,019.81. In *In re USG Corporation*, Case No. 01-2094 (JKF), Transcript of Proceedings, July 19, 2004, p. 14, the Honorable Judith K. Fitzgerald asked that we call to the Court's attention any instance in which a professional's rate reaches \$1,000.00 per hour. PwC provided the following information concerning Mr. Edyt's qualifications:

We understand that the Court has asked to be advised of any professional whose rate reaches \$1,000. PwC would like to provide additional context for the hourly rate of Robert Edyt. Mr. Edyt is a partner in the PwC National Office, who specializes in SEC related matters. Partners in the National Office possess a high level of technical knowledge, skill and experience and, therefore, their hourly rates often exceed \$1,000. Please note that the rate for Mr. Edyt remained consistent throughout 2010.

We bring this matter to the Court's attention in order to comply with the Court's request, and we make no recommendation concerning Mr. Edyt's hourly rate.

4. We noted the following time entries which appeared to include non-working travel time:

Justin Bray	8-Sep	1.4	Travel time from Washington, DC (St. Regis hotel - Audit Committee meeting) to PwC-Baltimore office
Justin Bray	30-Sep	1.0	Travel time to PwC Miami office to meet with PwC team
Kathleen Bradley	7-Sep	0.5	Travel time to client site in Cambridge, MA
Kathleen Bradley	10-Sep	1.7	Travel time from client site in Cambridge, MA

Kathleen Bradley	30-Sep	0.7	Traveling from the Miami airport to PwC offices for tax meetings
Nicole Johnson	26-Sep	9.0	Travel to Chattanooga
Shawn McNeilly	7-Sep	2.8	Travel to Lake Charles, LA for 404 Controls Testing.
Shawn McNeilly	10-Sep	2.7	Travel home from Lake Charles, LA following 404 controls testing.

Pursuant to Local Rule 2016-2(d)(viii): “Travel time during which no work is performed shall be separately described and may be billed at no more than 50% of regular hourly rates.” We asked PwC whether the required 50% discount had been applied to these fees, and PwC responded:

PwC has further reviewed the questioned entries and determined that the required 50% discount was not applied. Therefore, the entries for Justin Bray on September 8, 2010 for 1.4 hours and for Nicole Johnson on September 26, 2010 for 9 hours, should be revised to be 0.7 hours and 4.5 hours, respectively.

The 50% discount was applied to McNeilly and Bradley.

We appreciate PwC’s response and, consistent with the response, recommend a reduction of \$296.04¹ for Mr. Bray’s time and a reduction of \$725.80² for Ms. Johnson’s time, for a total reduction of \$1,021.84 in fees.

CONCLUSION


5. Thus, we recommend approval of \$712,554.20 in fees (\$713,576.04 minus \$1,021.84) and \$12,626.30 in expenses for PwC’s services for the Application Period.

¹0.7 hours × \$422.91 per hour = \$296.04

²4.5 hours × \$161.29 per hour = \$725.80

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.


By: 
Warren H. Smith
Texas State Bar No. 18757050

325 N. St. Paul Street, Suite 1250
Dallas, Texas 75201
214-698-3868
214-722-0081 (fax)
whsmith@whsmithlaw.com

FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served by First Class United States mail to the attached service list on this 25th day of February, 2011


Warren H. Smith

SERVICE LIST

Notice Parties

The Applicant

Kathleen M. Miller
SMITH, KATZENSTEIN & JENKINS LLP
The Corporate Plaza
800 Delaware Avenue, 10th Floor
P.O. Box 410
Wilmington, DE 19899 (Courier 19801)

The Debtors

Richard Finke.
Assistant General Counsel
W.R. Grace & Co.
7500 Grace Drive
Columbia, MD 21044

Counsel for the Debtors

Deanna Boll
Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, IL 60601

Laura Davis Jones, Esq.
James E. O'Neill
Pachulski Stang Ziehl & Jones LLP
919 North Market Street, 17th Floor
P.O. Box 8705
Wilmington, DE 19899-8705

Counsel for the Official Committee of Unsecured Creditors

Lewis Kruger, Esq
Stroock & Stroock & Lavan
180 Maiden Lane
New York, NY 10038-4982

Michael R. Lastowski, Esq.
Duane Morris LLP
1100 N. Market Street, Suite 1200
Wilmington, De 19801-1246

Counsel to the Official Committee of Property

Damage Claimants

Scott L. Baena, Esq
Bilzin, Sumberg, Dunn, Baena, Price & Axelrod
First Union Financial Center
200 South Biscayne Boulevard, Suite 2500
Miami, FL 33131

Michael B. Joseph, Esq.
Ferry & Joseph, P.A.
824 Market Street, Suite 904
Wilmington, DE 19801

Counsel to the Official Committee of Personal Injury Claimants

Elihu Inselbuch, Esq.
Caplin & Drysdale
375 Park Avenue, 35th Floor
New York, NY 10152-3500

Marla R. Eskin
Campbell & Levine, LLC
Suite 300
800 N. King Street
Wilmington, DE 19801

Official Committee of Equity Holders

Gary M. Becker
Kramer Levin Naftalis & Frankel
1177 Avenue of the Americas
New York, NY 10036

Teresa K.D. Currier, Esq.
SAUL EWING LLP
222 Delaware Avenue
P.O. Box 1266
Wilmington, DE 19899

United States Trustee

David Klauder
Office of the United States Trustee
844 King Street, Lockbox 35, Room 2207
Wilmington, DE 19801